

Brightwood Capital Advisors Responsible Investment Policy

Brightwood Capital Advisors, LLC (“Brightwood”, “us”, or “the Firm”) focuses on long-term value creation and downside protection of its managed investment portfolios through the prioritization of responsible investment principles and strategies. These priorities, which include a focus on diversity and inclusion and social conditions, were instilled at our inception, to underscore our market-leading strategies to produce value for our investors and the broader communities which we serve in our daily work. We consider these principles in connection with all of our investments and believe that our responsible investing program differentiates us from many middle market private credit firms and further positions us to deliver competitive risk-adjusted returns.

UNPRI Signatory

As an early signatory of the United Nations’ Principles for Responsible Investment (“UNPRI”) in 2014, we have long held a commitment to incorporate responsible investing principles in our core functions and teams across origination, underwriting, portfolio monitoring, marketing, and more. We operationalize our beliefs wherever we see that the UN PRI principles (see Appendix B) are in alignment with our fiduciary responsibilities to protect value and provide competitive risk-adjusted returns for investors. We have continuously assessed our responsible investing program in alignment with UN PRI standards to ensure that our annual reporting can illustrate our ongoing attention to these matters. Each of our PRI responses and ongoing practices are internally and externally reviewed to ensure our programs are adequately represented and that we remain attentive to our program’s performance relative to our peers and the broader industry.

Scope and Limitation

This Policy was created to establish our values and framework for managing and operationalizing responsible investing criteria within our investment activities. As a manager in the private credit space, we acknowledge that our position to influence, change, amend, or support the operations of our portfolio’s borrowers may vary, contingent on the unique circumstances of each opportunity, and the terms of the individual investment. However, Brightwood is in a unique position as a significant portion of our investments are non-sponsored and we serve as the sole or lead lender in a majority of our placements, which typically leads to board observer rights and more opportunity to promote responsible investing and sustainability change. When our ability or influence within a deal is limited, we apply our values and the elements of this policy in a manner that is practicable.

Conflicts of Interest with Brightwood’s Responsible Investment Policy

In this policy, we aim to combat conflicts of interest in the areas where our responsible investment objectives may be threatened. Our team aims to be ethical actors and active stewards of our responsible investment values; they bear responsibility to report any behavior in considering investment opportunities that appears to be inconsistent with the values and commitments of this policy. Any suspicion of such a conflict in any of our processes or relationships will be subject to the review of our Head of Responsible Investing and firm leadership.

Responsible Investing at the Portfolio Level

Portfolio-level stewardship opportunities amongst lenders can vary greatly, dependent upon deal nuances (e.g., stake/control, management access). As we understand the growing role of a lender in the responsible investing practices and operations of its portfolio, we continue to evaluate opportunities to refine our approach, to remain at the forefront of responsible investment implementation. We see this outlook as a means of creating strong returns, while also mitigating risk and advancing responsible investment opportunities.

In several of our historical funds, such as our Small Business Investment Company (SBIC) fund(s), we endeavor to provide capital resources to deserving and mutually attractive investment opportunities, which share common themes of women, minority, and/or veteran ownership. We proudly view these efforts as an opportunity to support traditionally disenfranchised groups, while generating attractive returns for a wide

array of stakeholders. These motivations underscore our conviction in putting our resources to work in otherwise underrepresented or underfunded ventures and enterprises.

Materiality

As we consider the importance and relevance of a responsible investing issue within our investment activities, our investment team is trained not only to consider matters that currently or may influence a borrower's ability to protect economic value, but also affect environmental and social values among a broader pool of stakeholders. We also consider broader factors beyond the investment itself, such as its primary country, region, or sector, which may further contextualize specific responsible investing and sustainability risk factors and enable a more thoughtful assessment. We understand that the diversity of the verticals in which we invest and our position as a lender creates a meshwork of materiality considerations across a list of responsible investing issues for each opportunity. As such, we have provided a list of illustrative, but non-exhaustive, responsible investing issue areas that we consider for each opportunity in Appendix A. The materiality of such issues will consider both the asset itself, and the associated industry and region to which the asset belongs.

Responsible Investing in Action: Transactional Diligence

At Brightwood, it is our view that responsible investing values should be instilled into the investment lifecycle through origination, underwriting, and ultimately post-close. The below represents our means of operationalizing this approach:

Investment Team Due Diligence

Ongoing responsible investment training for investment professionals aids our deal teams in considering responsible investing matters of new opportunities throughout the investment due diligence process. We aim to incorporate responsible investing considerations into our diligence processes for all potential opportunities, which includes integration of responsible investing considerations into our investment materials (e.g., investment memos). Material responsible investing and sustainability matters are then discussed among deal teams, as well as in the larger investment committee.

Red Flag Screens

For deals where Brightwood (1) has greater financial exposure, or (2) determines, in its reasonable discretion based on information regarding a potential investment company, that a responsible investing review is required, underwriters are to promptly engage a third-party responsible investing advisor, currently Malk Partners ("Malk"), to perform an opportunity-specific "screen," to ascertain whether there are any salient responsible investing "red flags" that could impede the opportunity. In the case of any investment opportunities where a responsible investing red flag is identified, Brightwood will make every effort to obtain accompanying information that will allow it to effectively mitigate the associated risk.

Responsible Investing Memoranda

For opportunities in which the preliminary Red Flag Screen reveals material findings as dictated by the third-party advisor, underwriters are to solicit a more holistic asset-level responsible investing diligence review from the third-party advisor, to further evaluate the findings of the Red Flag Screen. This review is designed to be closely tailored to each investment opportunity and considers more bespoke factors that are material to the borrower to supplement other macroeconomic or industry-level findings from earlier reviews. The goal of this diligence is to produce key responsible investing insights on which we may deliberate to determine the opportunity's suitability for inclusion within our portfolio. These findings inform our underwriting work, as we consider and weigh the risk profile of the opportunity during investment committee discussions. In opportunities where we move forward, we endeavor to discuss these findings constructively with our borrowers and/or sponsors, so that they may better understand our priorities and goals over the life of the loan, as well as their position to enact improvements.

Responsible Investing Accountability and Oversight

At Brightwood, all matters related to responsible investing are subject to the primary oversight of Brightwood's Head of Responsible Investing, and other members of our various teams, including origination, underwriting, portfolio monitoring and compliance. More broadly, we note that our senior leadership, including our CEO and Founder, has been a driving force in our recent, current, and planned responsible investing initiatives, and has fully supported our efforts to establish leading responsible investing practices relative to our peers. To further operationalize responsible investing within our Firm and our investment practices, Brightwood has undertaken several responsible investing initiatives including annual training for investment team members and engagement of a third-party responsible investing advisor for ongoing support. This engagement allows investment teams to reap benefits of objectivity and also gain perspective on leading responsible investing practices in the broader industry. We believe this advisory engagement will help us remain at the forefront of the rapidly shifting responsible investment trajectory in our industry.

Responsible Investing Reporting to Investors

Brightwood is enduringly committed to pushing the boundaries on responsible investing and sustainability stewardship within our own practices, and we understand that the details of these initiatives will be of interest to our Limited Partners and other prominent stakeholders who share a similar investment in our success. To help these parties remain apprised of our efforts, Brightwood generally includes a responsible investing agenda item in conversations with investors. We view our responsible investing disclosures and updates on our progress as a precursor to further stakeholder discussions, where we may thoughtfully engage on ways to push boundaries within our work and among our broader peer group.

Diversity at Brightwood

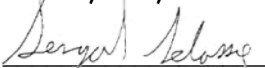
The foundation of Brightwood is rooted in diversity. As a 100% minority-owned firm supported by a roughly 50% minority-represented staff, we are devoted to promoting a collaborative and inclusive culture and strongly believe that diverse teams make better investment decisions. We memorialized this commitment by becoming an early ILPA Diversity in Action signatory in 2021. Furthermore, we are committed to help drive diversity within our portfolio and encourage the implementation of diverse boards, management teams, and employees. We voice all diversity-related concerns to sponsors and/or management, and once an investment is made, we request diversity data from each portfolio company annually through a DEI survey.

Policy Review

Brightwood will conduct a periodic review of this Policy and make updates as necessary or advisable. Furthermore, as needed, we will engage our third-party responsible investing advisors to update our Responsible Investment Policy to reflect shifts in the landscape, improve the identification of responsible investing opportunities, and mitigate associated issues.

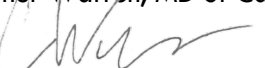
This Responsible Investment Policy was last updated in October of 2024 and is subject to change as Brightwood considers necessary or advisable.

Sengal Selassie, CEO, Founder

Signed: 

Date: 11/20/2024

Christopher Warren, MD of Capital Markets, Head of Responsible Investing

Signed: 

Date: 11/20/2024

Appendix A: Responsible Investing Issue Areas

- **Diversity & Equal Employment Opportunity:** We believe in the importance of providing resources to borrowers who have diversity represented in their leadership, and we encourage our portfolio companies to elevate diverse perspectives. Recognizing that the safety of employees is of utmost importance, we seek to ensure portfolio companies maintain appropriate controls to protect employees from discrimination and harassment incidents.
- **Social & Labor Conditions:** Effective workforce management is critical to fostering an engaged and productive working environment. We believe borrowers with strong workforce management programs are better able to avoid risks, including employee dissatisfaction, reduced productivity, high rates of turnover, and even regulatory/legal labor scrutiny.
- **Ethics & Compliance:** We are committed to investing in companies that uphold strong ethical standards, and we support borrowers in adopting clear standards to prevent various forms of ethical and regulatory misconduct, including conflicts of interest, unethical marketing practices, and industry-specific ethics/compliance risks.
- **Data Privacy & Security:** Safeguarding data resources is fundamental to the protection and security of employees, customers, and other stakeholders. Data security incidents can result in costly regulatory penalties or litigation, in addition to harming the privacy and data rights of impacted individuals. We support the implementation of strong data privacy/security policies and controls to reduce the potential for adverse events.
- **Anti-Bribery & Corruption:** Engaging in bribery or corrupt practices to gain an illegitimate business advantage is unethical and can result in regulatory penalties or public scrutiny if exposed. We strive to invest in borrowers that form and maintain business relationships in a legitimate and ethically upright manner, whether conducting business in the US or internationally.
- **Worker Health & Safety:** We aim to invest in borrowers that prioritize employees' safety and uphold a culture of health and safety through appropriate programmatic measures, policies, and trainings. Companies that fail to protect employees' health and safety are exposed to a range of risks, including employee dissatisfaction, heightened turnover, insurance claims, regulatory penalties, and, in severe circumstances, work stoppages.
- **Environmental Management:** Respect for the environment is a necessary feature of socially accountable and responsible companies. Environmental mismanagement may endanger local ecologies, risk the health and safety of employees, and harm consumers and other societal stakeholders. By directing capital to environmentally responsible organizations, we can better manage environmental risks and create opportunities among our portfolio companies.
- **Climate Change:** Climate change introduces a range of considerations for companies, including threats to physical assets and pressures to lessen the energy intensity of operations. By incorporating climate change considerations into operational and financial planning, we believe that borrowers can better manage the risks and opportunities posed by climate change and prepare for an uncertain future.
- **Supply Chain:** Beyond direct operations, borrowers should be confident that they are not sponsoring or enabling environmental or social misconduct within their supply chains. We aim to invest in borrowers that are committed to procuring goods and services from ethical suppliers.
- **Food Safety:** Businesses selling food products must have systems in place to provide strong assurance their food products are safe for consumption and compliant with food safety laws.

Appendix B: United Nations Principles for Responsible Investment (UNPRI)¹

As part of our commitment to ESG management, we align our ESG program with the guidelines of the UN Principles for Responsible Investment.

1. *Principle 1:* We will incorporate ESG issues into investment analysis and decision-making processes.
2. *Principle 2:* We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. *Principle 3:* We will seek appropriate disclosure on ESG issues by the entities in which we invest.

¹ While Brightwood believes in the principles as established by the UN, our ESG program is customized to manage ESG risks and opportunities faced by the companies we invest in and align with commercial best practices.

4. *Principle 4:* We will promote acceptance and implementation of the Principles within the investment industry.
5. *Principle 5:* We will work together to enhance our effectiveness in implementing the Principles.
6. *Principle 6:* We will each report on our activities and progress towards implementing the Principles.

Appendix C: Systematic Sustainability Issues

Brightwood remains apprised of core issues of sustainability in the course of its investing and portfolio stewardship activities, including matters related to climate change, environmental management, human capital management, human rights, and more. Such issues are also addressed in Brightwood's annual ESG training, for the investment team to remain apprised of trends and topical issues within ESG. Where such issues are deemed to be material by Brightwood during the underwriting process, Brightwood will dedicate resources to better understand the breadth of related risk (and/or management thereof) in the course of its decision making and investment committee proceedings.

As an example, this may apply to the further assessment of human rights (i.e., no forced or child labor) in our borrowers' supply chains, or to an analysis of business continuity related to flooding or extreme weather in a borrower whose operations are concentrated in high-risk geographies for the impacts of climate change (i.e., coastal Florida). These risks are likely to be initially identified and flagged as material by the Head of ESG or a member of the deal team assigned to such investment, whereby Brightwood may then take steps to further understand risk and management thereof, wherever deemed financially material to the opportunity.

The steps that Brightwood takes in this regard may vary across opportunities, due to limitations of information availability, operational influence, or other deal dynamics; Brightwood will assess material systematic sustainability issues in a manner that is practicable, both pre-investment and in ongoing portfolio management.

Appendix D: Exclusions List

Brightwood seeks to avoid investing in businesses that generate a material amount of revenue from:

1. Controversial weapons manufacturing
2. Manufacture or sale of civilian firearms, including handguns, semiautomatic weapons and assault rifles, or ammunition for such firearms
3. Tobacco
4. Nuclear power
5. Prison operations
6. Adolescent behavioral sciences
7. Adult Entertainment
8. Gambling
9. Coal
10. Oil & Gas Exploration and Production
11. Soft Commodities
12. Timberland and Forestry